The way in which the program would be put into effect is critical because an unemployed person who met all of the other eligibility criteria would not be entitled to cash assistance unless a state agency determined that the individual's long-term training or education was an appropriate part of his or her reemployment plan. Thus, state agencies certified by the Secretary of Labor would be the gatekeepers for this income support. Although there is no way to predict how the agencies would respond, three different analyses suggest that they would not have enough funds to accommodate the number of qualified applicants:

CBO's previous analysis of workers who were displaced during the 1980s indicates that the number who receive and exhaust regular unemployment insurance benefits each year probably greatly exceeds the number of people the Department of Labor assumed would receive income support. That study found that about 30 percent of all displaced workers exhausted UI benefits--three times the percentage of displaced workers projected by the Department of Labor to be receiving income support once the program is fully in effect.[3] While it is not possible to know what proportion of workers would choose to participate in extended training or education in order to continue receiving benefits, it seems likely the number would be more than one-third. The program that title II would authorize would enable workers who had exhausted their UI benefits to extend their maximum duration of income support beyond the usual 26 weeks, provided they had enrolled in an appropriate program within 16 weeks of losing their jobs.

The number of displaced workers eligible for this income support might be even higher than CBO's previous analysis suggested. The Department of Labor projects that in the remainder of this decade about 2.5 million workers will exhaust regular UI benefits each year. A study of workers who used up their UI benefits in 1989 estimated that two-fifths of them had worked for their former employers for at least three years.[4] If that estimate is applied to the projection of recipients exhausting benefits, roughly 1 million potential participants might be eligible each year for long-term income support. Again, it is not clear how many of them would meet the other eligibility criteria nor how many would want to participate in extended training or education.

3. Congressional Budget Office, *Displaced Workers: Trends in the 1980s and Implications for the Future* (February 1993), p. 28. About 60 percent of the workers who reported having been displaced received UI benefits, and about half of the recipients exhausted them before finding another job.

4. Walter Corson and Mark Dynarski, *A Study of Unemployment Insurance Recipients and Exhaustees: Findings from a National Survey* (Princeton, N.J.: Mathematica Policy Research, September 1990), republished as Department of Labor, Unemployment Insurance Occasional Paper 90-3 (1990).

Finally, another indication of the pent-up demand for income support during training can be found in the large number of displaced workers who apply for Pell grants, which are less generous than the income support that would be provided through the proposed program. During the 1991-1992 academic year, 110,000 of the Pell grant applicants were classified as "dislocated workers." Most of those applicants were between 25 and 44 years old and were applying to two-year colleges or proprietary schools. Although the schools to which the individuals applied are not required to document whether the applicant actually had been displaced, the definition the schools used was similar to the one in the proposed program.[5]

THE CHOICE OF PARTICIPANTS AND THE AMOUNT OF THEIR SUPPORT

Since it seems likely that more displaced workers would seek income support during training than could be funded under the proposed program's spending limits, a key issue would be how to allocate the available money. The proposal provides some guidance, but leaves considerable discretion to the federal, state, and local agencies that would operate the new program. The legislation and the supporting materials provided by the Department of Labor envision a screening process under which a reemployment plan is developed for each displaced worker, with costly long-term training or education being reserved for those who would most benefit from such assistance. But such decisions are inherently subjective ones involving considerable scope for honest disagreement.

One of the proposal's potential problems is that even though the total funds available for income support are limited, there appears to be little or no direct incentive for the state agencies to limit admissions. The funds would, in effect, be available nationwide on a first-come, first-served basis. Unlike the funds for the discretionary program authorized by title I, funds for title II would not be allotted to the states according to a specified formula. Thus, a state could aggressively market the availability of income support and certify a large number of its displaced workers for funds at little if any cost to itself or to workers who applied later in the year.

5. These estimates are based on data provided by the Department of Education. Dislocated workers are identified on Pell grant applications because the income and asset rules are less stringent for them than for other applicants. For example, dislocated workers can report their expected income, rather than their past income, in determining eligibility.

Analysis of the proposal also raises a number of related issues concerning who would receive income support. The proposed program would enable some displaced workers to obtain income support that is generally not available to other jobless people who might also wish to participate in education and training programs. For example, participants in the Job Training Partnership Act programs for economically disadvantaged people normally do not receive stipends.

The issue of providing stipends to one set of training program participants but not another already arises under current law, but in a different manner. For example, the Trade Adjustment Assistance program enables some displaced workers to receive income support that is not available to other displaced workers. The justification for treating one group of displaced workers better than another just because the immediate reasons for their job losses were different has often been questioned. The proposed program would end such distinctions. However, it can be argued that workers who lose their jobs because of actions taken by the federal government--such as changes in trade policy--do, in fact, deserve special treatment.

The basis for setting the amount of the weekly stipend at the participant's weekly benefit amount in the UI program could also be questioned. Workers who had been earning relatively high wages in the jobs they lost would receive relatively high stipends, even though their needs would not necessarily be any greater. Moreover, the tax paid by employers to fund this benefit would have been the same amount for most displaced workers--0.2 percent of the first $7,000 of earnings each year. Thus, the workers who would receive larger stipends might not have had more taxes paid on their behalf. Maintaining the linkage between the stipend and the UI benefit, however, would be convenient because participants would simply continue to receive their UI weekly benefit, just as they now do through the Trade Adjustment Assistance or the federal/state Extended Benefit programs.

POTENTIAL EFFECTIVENESS

It is not clear whether the proposed legislation would result in a more effective system than the current one in preparing displaced workers for new jobs. Much would depend on how states carried it out.

The Administration anticipates that the new system would be more effective for at least two reasons. First, the consolidation of programs and other changes in the design of reemployment services would provide better services to displaced workers without regard to the reason they lost their jobs.

In particular, soon after losing their jobs, displaced workers and their employment counselors would develop a plan for getting back to work. A range of basic services would be available to them, including job-search assistance and improved information about appropriate job opportunities.

Consolidation would facilitate early assistance because it would no longer be necessary to determine a specific cause of job loss. The TAA program, in particular, has long been criticized for the length of time it takes before displaced workers are certified as eligible, as well as for inaccuracies in those determinations. Several evaluations have documented that early job-search assistance and better information about job openings lead to more rapid placement.[6] It is not known whether the other numerous changes in the institutional structures specified in title I would have the intended consequences.[7]

Second, the income support provided in Title II would enable many displaced workers to participate in training and education for much longer periods than they do under the Economic Dislocation and Worker Adjustment Assistance program. Few EDWAA participants have received income support, which is one reason why few of them have participated in training programs lasting more than four or five months.[8]

Although it is plausible that longer training would be more effective, it has not been proven. The studies cited by the Department of Labor in support of that argument found that postsecondary education results in higher earnings, even when it does not provide a college degree.[9] But those studies do not directly address the effectiveness of postsecondary education for displaced

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6. See Bruce Meyer, "Policy Lessons From the U.S. Unemployment Insurance Experiments," Working Paper No. 4197 (National Bureau of Economic Research, Cambridge, Mass., October 1992); and Department of Labor, *Reemployment Services: A Review of Their Effectiveness* (April 1994).

7. The General Accounting Office (GAO) has issued a series of reports about the need to consolidate federal employment and training programs. For a summary of their findings and their assessment of how the Reemployment Act and other bills proposed in the 103rd Congress would deal with their concerns, see GAO, *Multiple Employment Training Programs: How Legislative Proposals Address Concerns* (August 1994). See also Congressional Research Service, "Creating a Federal Employment and Training System: An Overview," CRS Report for Congress 94-144 EPW (February 24, 1994).

8. Department of Labor, Employment and Training Administration, *Study of the Implementation of the Economic Dislocation and Worker Adjustment Assistance Act*, prepared by SRI International (1992).

9. Department of Labor, *Reemployment Services* (April 1994), pp. 8-11. Two of the studies, discussed below, are Thomas J. Kane and Cecilia Elena Rouse, "Labor Market Returns to Two- and Four-Year Colleges: Is a Credit a Credit and Do Degrees Matter," Working Paper No. 4268 (National Bureau of Economic Research, Cambridge, Mass., January 1993); and Orley Ashenfelter and Alan Krueger, "Estimates of the Economic Return to Schooling from a New Sample of Twins," Working Paper No. 4143 (National Bureau of Economic Research, Cambridge, Mass., August 1992).

workers. There are no studies specifically assessing whether displaced workers who have returned to school benefit more or less than other students.

The findings from a recent evaluation of training for TAA recipients raise questions about whether the training provided through the proposed program would necessarily be more effective.[10] That study found no evidence that the training received by TAA recipients increased their average earnings or their likelihood of being reemployed.[11] Those findings may be relevant for two reasons. First, the length of the training provided under the proposed program would be more like that of the training provided to TAA recipients than that provided through EDWAA, which is generally much shorter in duration. According to the recent study, about half of the TAA trainees were in programs lasting at least one year, whereas the median duration of training among EDWAA participants in recent years was well under six months.[12] Second, as with the Administration's proposed program, much of the training provided to TAA participants was offered at vocational training centers or at community colleges.

But important differences between the design of the TAA program and that of the proposed program diminish the relevance of these findings. Perhaps the most important difference is that under the new program displaced workers normally would be required to start training relatively quickly--within 16 weeks of the time they lost their jobs. Thus, they would be able to receive UI benefits, followed by income support during training, for well over a year. By contrast, half of the TAA trainees had been unemployed for more than 26 weeks before they started training. Another difference is that the new program would only provide income support while participants were actually in a training or education program, whereas roughly half of the TAA recipients received waivers from that requirement.

The basic case for encouraging long-term training and education for displaced workers rests on the well-documented correlation between earnings and years of education. For example, males between the ages of 35 and 44 who worked year-round, full time in 1992 and whose highest educational

10. Walter Corson and others, *International Trade and Worker Dislocation: Evaluation of the Trade Adjustment Assistance Program* (Princeton, N.J.: Mathematica Policy Research, 1993).

11. Specifically, after controlling for differences between the observable characteristics of the TAA recipients who participated in training and the TAA recipients who did not, the authors concluded that the employment and earnings of the two groups, three years after they began receiving UI benefits, were similar. The authors were unable to estimate whether the training increased earnings thereafter.

12. Data provided by the Department of Labor indicate that only about one-third of the displaced workers who left EDWAA retraining activities in 1990 or 1991 had received retraining for at least 26 weeks.

attainment was a bachelor's degree earned an average of $49,700; those with an associate degree earned $36,600; those with a high school diploma or equivalency earned $30,300; and those who had not finished high school earned $21,600. The corresponding average earnings for females in that age group who worked year-round, full time were $33,600, $27,600, $20,400, and $14,200, respectively.[13] Moreover, the education payoff has grown substantially during the past decade, caused at least in part by technological developments that have increased the importance of knowledge rather than physical strength in the workplace. These developments are unlikely to be reversed.

Recent research indicates that the apparent gains in earnings associated with education do not simply reflect the willingness of employers to pay more to workers with better credentials or a correlation between educational attainment and innate ability. A study that contained detailed information about respondents' education, for example, found that on average, each additional year of completed postsecondary education credits added about 5 percent to a student's subsequent earnings, regardless of whether a degree was granted.[14] A study based on a survey of the education and earnings of identical twins found even larger gains in earnings related to education.[15] Although the specific findings from each of those studies have been challenged, there is little doubt that, on average, more education results in higher earnings.[16]

Unfortunately, those studies do not specifically address the question of whether further education and training for displaced workers would be as beneficial as higher education has been for the general population. On the one hand, displaced workers might be more motivated than the typical student; they may have a better understanding of the connection between their studies and

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13. Bureau of the Census, *Money Income of Households, Families, and Persons in the United States: 1992*, Current Population Report P60-184 (September 1993), Table 30. Similar differences in earnings among categories of educational attainment are shown for other ages as well.

14. Kane and Rouse, "Labor Market Returns to Two- and Four-Year Colleges."

15. Ashenfelter and Krueger, "Estimates of the Economic Return to Schooling from a New Sample of Twins." The experiences of twins enabled the researchers to reduce biases in the estimates of the gains from education that result from differences in family background and ability. Nonetheless, a critique of this study suggests that their estimate of the earnings gains associated with an additional year of education may have been overestimated because of differences in the abilities of the twins. See David Neumark, "Biases in Twin Estimates of the Return to Schooling: A Note on Recent Research," Technical Paper No. 158 (National Bureau of Economic Research, Cambridge, Mass., June 1994).

16. The effects of proprietary schools, in particular, have been called into question. For example, a new analysis of data from the National Longitudinal Study of the Class of 1972 found that these schools did not increase the earnings of men and had mixed effects on the earnings of women. See W. Norton Grubb, "The Long-Run Effects of Proprietary Schools: Corrections," *Educational Evaluation and Policy Analysis*, vol. 16, no. 3 (Fall 1994), pp. 351-356.

subsequent earnings. And they bring with them experiences that the typical undergraduate student does not. On the other hand, they might have more difficulty returning to the classroom. Moreover, some might be attracted more by the free tuition and the stipend than by the opportunity to prepare for new careers.

Finally, some of the displaced workers who would receive income support might have returned to school or to a training program anyway. They would be better off for the stipend, but it might not increase their time in training.

Several studies have affirmed that programs that provide income support to postsecondary students increase the number of people seeking postsecondary education, but those studies have not specifically focused on displaced workers.[17] The effects of income support on decisions to seek training or education could be different for displaced workers than for other potential students. The effect might be greater because the subsidies that would be offered to displaced workers through the proposed program would be much larger than those offered through Pell grants and federal student loans.[18] But the typical displaced worker is older than the typical incoming student, has been away from school for a while, may have greater financial responsibilities, such as a mortgage, and may be more reluctant to return.

17. For a summary of this literature, see Michael S. McPherson and Morton Owen Schapiro, *Keeping College Affordable* (Washington, D.C.: Brookings Institution, 1991), Chapter 3.

18. The maximum amount that a student can receive through a Pell grant for one year is currently $2,300. In addition, undergraduates may borrow up to about $2,600 for their first year of study through the federal student loan program. Had the proposed income support program been available this year, a worker displaced from a job with at least three years' tenure who was eligible for the average weekly benefit of about $180 under the regular UI program would have been eligible to receive about $9,000. In addition, the worker might have received tuition assistance through the discretionary program authorized by title I and might still be eligible for guaranteed student loans.

CHAPTER IV

EFFECTS ON THE FEDERAL BUDGET

The most important long-term effect of the proposed Reemployment Act on the federal budget is that it would establish a new entitlement program to provide income support during training to certain displaced workers. (See the Appendix for the Congressional Budget Office's analysis of the cost of the entire bill over the 1995-1999 period.)

A NEW CAPPED ENTITLEMENT

The proposed legislation, as reported by the Subcommittee on Human Resources of the House Committee on Ways and Means, contains provisions that would effectively limit expenditures on the entitlement program, both during the five-year period shown in CBO's cost estimate and thereafter. Some analysts are concerned, however, that the gap between the limit set by the spending cap and the amount that would be needed to meet the demand for income support could be wide.

Spending for the income support payments during the initial five-year period would be almost completely offset by the phasing out of Trade Adjustment Assistance and the revenues from extending the Federal Unemployment Tax Act surtax. CBO estimates that outlays for TAA would fall by $830 million over the 1995-1999 period, and the FUTA tax would raise $900 million (see the Appendix). The net effect of the income support and offsetting provisions would be to increase the deficit by about $240 million over this five-year period. (The estimated effect on the deficit was much smaller when the bill was introduced because of the one-time revenue increase from voluntary withholding for unemployment insurance recipients included in the bill--a provision that has since been enacted in other legislation.)[1]

Beginning in 2001, the maximum expenditure on income support for participants in the proposed program would be a fixed percentage of the proceeds from the FUTA tax. As described earlier, the amount available for

1. Unemployment insurance receipts are already subject to the federal income tax. This provision would require states to allow recipients to have federal income taxes withheld at a 15 percent rate on a voluntary basis. One effect of this provision would be that some taxes would be collected sooner than under current law. As noted earlier, this provision was included in the Uruguay Round Agreements Act of 1994.

income support would be limited to one-fifth of the amount collected from employers through the tax.

Thus, in the long run, the bill's entitlement and revenue provisions would not increase the federal deficit. Federal spending for income support authorized by the proposed program would be offset by the receipts from the extension of the FUTA tax surcharge. Moreover, the elimination of the Trade Adjustment Assistance program would provide some savings. The long-term effect of the entire proposal on the deficit, however, would also depend on the amounts that future Congresses appropriated for the discretionary programs.

Nonetheless, errors in forecasting revenue from the FUTA tax could cause the Secretary of Labor to curtail spending, either by lowering the amount of income support going to participants who had already begun the program or by limiting the number of new participants. Such a circumstance could arise if there was an unanticipated shortfall in FUTA revenues caused by a reduction in employment. Unfortunately, a decline in the number of jobs available could also increase the number of workers seeking training.

Moreover, the amount of income support available would be tied to a revenue source that is not likely to grow as rapidly as the demand for income support. The bill would extend a payroll tax that is applied to the first $7,000 of each covered worker's earnings. Because the tax base is not indexed, long-term growth in this revenue source is mainly tied to the growth in the number of jobs.[2] The long-term growth in the number of workers eligible for income support is likely to be similar, assuming that there are no major changes in the fraction of the workforce displaced. But the total expenditures for these workers would grow by a larger amount--if spending was not capped--because the income support would equal a participant's average weekly benefit amount, which is a function of average weekly nominal wages. Analysts expect these wages to grow by about 5 percent a year in the long run.[3] Thus, pressures could mount to raise the spending cap. Doing so would enlarge the federal deficit unless the increase was offset by reductions in other spending or increases in revenues.

2. The FUTA tax base is projected to grow by about 2 percent annually during the 2000-2004 period, because of an increase in employment and some additional growth attributable to wage gains in jobs paying below the $7,000 tax base. Projected growth in employment from 2000 through 2004 is about 1 percent per year.

3. The Social Security Administration's intermediate assumption is that average annual wages in employment covered by Social Security will grow by about 5 percent annually after the turn of the century.

A related issue is whether an extension of the FUTA tax on employers is an appropriate source for aid in preparing displaced workers for their next jobs. The FUTA tax has traditionally been used to fund UI benefits and administrative costs, not stipends, whereas education and training programs have normally been funded through general revenues. The Secretary of Labor, in supporting this use of the FUTA tax, argues that doing so would help to transform the traditional UI system into a reemployment system. Opponents maintain that doing so would break the implicit agreement with employers that the taxes they pay will be used for short-term income support and related purposes. Moreover, critics argue that when the 0.2 percent FUTA surtax was originally enacted in 1976, employers were promised that it would be temporary. It was subsequently extended several times. Now, they say, it should not be extended to fund a new program.

OTHER ISSUES

The Reemployment Act would increase discretionary spending, assuming that subsequent appropriation acts fully funded the new programs, largely because the estimated outlays for the proposed Comprehensive Program for Worker Reemployment, the one-stop career centers, and the National Labor Market Information System would exceed estimated outlays for the Economic Dislocation and Worker Adjustment Assistance program that is being replaced. No additional savings would be achieved by eliminating the special programs for workers displaced because of the Clean Air Act or defense cutbacks, because no funds were appropriated for those programs in 1994 or 1995.

CBO's estimate of the net increase in discretionary spending for the 1995-1999 period, reported in the Appendix to this paper, is lower than that of the Administration, largely because of differences in the assumptions used for estimating the cost of a bill for years in which the authorization is expressed as "such sums as may be necessary." CBO's scoring rules require that these amounts in the years after the initial one simply be scored as the amount stated in the first year, adjusted for projected inflation. Thus, the authorization level for Title I shown in the cost estimate for 1999 is about $1.6 billion, even though the Administration's plans, as presented in the budget request for 1995, call for $2.4 billion for 1999.

APPENDIX

COST ANALYSIS OF THE REEMPLOYMENT ACT OF 1994

This appendix analyzes the cost to the federal government of the proposed Reemployment Act of 1994. The estimates are for titles I, III, and IV as introduced on March 16, 1994, and title II as ordered reported by the Subcommittee on Human Resources of the Committee on Ways and Means on July 22, 1994. A provision of title II as ordered reported would grant recipients of unemployment insurance benefits the option to have 15 percent of their benefits withheld for federal income tax purposes. Because that provision was subsequently included in the Uruguay Round Agreements Act, the receipts from it would no longer be available and are not included here.

ESTIMATED COST TO THE FEDERAL GOVERNMENT
OF THE REEMPLOYMENT ACT OF 1994
(By fiscal year, in millions of dollars)

	1995	1996	1997	1998	1999
Direct Spending					
Title II--Income support payments					
Budget authority[a]	350	0	500	550	580
Estimated outlays	18	326	497	549	579
Title II--Repeal Trade Adjustment Assistance					
Estimated budget authority	-36	-214	-215	-222	-219
Estimated outlays	-21	-166	-210	-217	-217
Total					
Estimated budget authority	314	-214	285	328	361
Estimated outlays	-3	160	287	332	362

(Continued)

(Continued)	1995	1996	1997	1998	1999
Revenues					
Modifications to federal unemployment tax	0	0	0	0	898
Total	0	0	0	0	898
Net Effect on the Deficit (Outlays)	-3	160	287	332	-536
Discretionary Spending					
Title I--Reemployment program					
Authorization level	1,465	1,505	1,546	1,587	1,631
Estimated outlays	73	1,028	1,422	1,534	1,575
Titles III & IV--One-stop career center and labor market information system					
Authorization level	250	250	250	250	250
Estimated outlays	63	250	250	250	250
Repeal Title III of Job Training Partnership Act					
Estimated authorization level	-1,148	-1,180	-1,212	-1,244	-1,278
Estimated outlays	-57	-806	-1,115	-1,202	-1,235
Total					
Estimated authorization level	567	575	584	593	604
Estimated outlays	79	472	557	582	590

SOURCE: Congressional Budget Office.

a. The budget authority estimates are stated in the bill. The budget authority shown in fiscal year 1995 is available July 1, 1995 through September 30, 1996.

BASIS OF THE ESTIMATE

Direct Spending

Income Support Payments. Title II would create a new capped entitlement within the unemployment trust fund. The entitlement funding would be used to provide additional unemployment benefits to eligible individuals. Individuals who have been permanently laid off, were entitled to and have exhausted their unemployment benefits, and have been in an approved training program since the 16th week of their unemployment spell would be entitled to additional unemployment benefits. For fiscal years 1995 through 1999, those additional benefits would be available to workers who had three or more years of tenure with their former employer. Beginning in fiscal year 2000, the additional benefits would also be available to workers who had at least one year of tenure. Individuals who had three or more years of tenure would be entitled to up to 52 weeks of additional benefits, whereas those who had one to three years would be entitled to up to 26 weeks of additional benefits.

The benefits would be funded from the federal unemployment tax. The bill authorizes 20 percent of the tax collected to be used for additional income support payments. For fiscal years 1995 through 2000, however, the bill limits the payments to $350 million for July 1995 through September 1996, $500 million for fiscal year 1997, $550 million for fiscal year 1998, $580 million for fiscal year 1999, and $920 million for fiscal year 2000. Outlays are estimated to be approximately $2 billion over the period from 1995 through 1999, based on historical spending patterns for unemployment benefits.

Repeal Trade Adjustment Assistance. In addition, title II would eliminate the Trade Adjustment Assistance (TAA) program on July 1, 1995. The bill provides for a continuation of TAA benefits to people who were collecting benefits on June 30, 1995. The bill creates a transitional TAA program for the four years beginning July 1, 1995, and ending July 1, 1999. This transitional program would be funded out of the federal unemployment tax transfer. Workers who meet the TAA requirements would be eligible for 52 weeks of additional unemployment benefits without meeting the three-year tenure requirement. After July 1, 1999, trade-impacted workers would no longer have a separate qualification process. The Congressional Budget Office (CBO) estimates that the outlay savings from eliminating the TAA program would be $831 million over the five-year period.

Finally, this bill would make several changes to the regular state unemployment insurance program. It would clarify current law regarding short-time compensation programs. Also, the bill would allow states to make payments for reemployment bonuses from their unemployment trust funds as long as those payments did not increase trust fund spending above what it would have been without the bonus payments. Furthermore, the bill would eliminate the sunset provision on self-employment payments. Under current law, states are allowed to withdraw money from their unemployment trust fund for the purpose of paying self-employment allowances as long as trust fund expenditures do not increase above what they would have been through 1998 without this provision. This provision eliminates the 1998 sunset date. CBO estimates that the above provisions would cost the federal government nothing.

Revenues

Modifications to the Federal Unemployment Tax. The Federal Unemployment Tax Act (FUTA) imposes a net tax rate on employers of 0.8 percent on the first $7,000 of earnings for each employee. The net FUTA rate of 0.8 percent consists of a permanent tax of 0.6 percent and a temporary surtax of 0.2 percent, which is scheduled to expire at the end of calendar year 1998. The provision would permanently extend the 0.2 percent surtax, resulting in a new permanent net FUTA rate of 0.8 percent.

Discretionary Spending

Reemployment Program. The bill would authorize $1.465 billion in fiscal year 1995 and such sums as may be necessary thereafter for a worker reemployment program. The program would replace the existing dislocated worker program under the Job Training Partnership Act. The new program would be similar to the existing one and would provide grants to states to provide reemployment services to dislocated workers--that is, the long-term unemployed or those permanently laid off.

One-Stop Career Center System and Labor Market Information System. The bill would authorize $250 million each year for fiscal years 1995 through 1999 and such sums as may be necessary for fiscal years 2000 to 2003 for a one-stop career center system and a National Labor Market Information System. A one-stop career center system would provide grants to states to develop one-stop career centers, which would provide universal access for workers and employers to information about employment, education, and training opportunities. A National Labor Market Information System would provide

locally based, up-to-date information about the labor market, including information about job openings, labor supply, occupational trends, skill requirements, and other data necessary to assist economic development planners, education planners, and training agencies.

Comparison of Estimates

Although CBO does not have a formal estimate of the bill's cost from the Administration, it has supplementary materials that indicate that the new reemployment discretionary program would expand over time by more than the rate of inflation. The Administration's policy estimate is $1.864 billion in 1996, $2.066 billion in 1997, $2.081 billion in 1998, and $2.397 billion in 1999. The bill authorizes such sums as may be necessary for fiscal years 1996 through 1999. CBO estimates that the authorization levels would be $1.505 billion in 1996, $1.546 billion in 1997, $1.587 billion in 1998, and $1.631 billion in 1999. The difference between the Administration's estimate and CBO's estimate for the reemployment program is attributable to different estimating methods for the sums necessary. The Administration estimates its policy requests in future years, but CBO follows long-standing scoring rules that require estimating such sums by increasing the stated authorization amount for projected inflation.